

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07  
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USMISSION NATO  
AMEMBASSY PARIS  
USDOC WASHDC

C O N F I D E N T I A L MOSCOW 7846

USDOC FOR BEWT

E.O. 11652: GDS  
TAGS: EFIN, EEWT, UR, US  
SUBJECT: US-SOVIET BANKING AND FOREIGN TRADE RELATIONS

REF: 76 MOSCOW 7253

SUMMARY: DISCUSSIONS WITH THE CHIEF MANAGER OF THE FOREIGN  
EXCHANGE DEPARTMENT OF THE USSR BANK FOR FOREIGN TRADE  
INDICATE THAT (1) THE QUESTION OF A SOVIET BANKING PRESENCE  
IN THE US CONTINUES TO BE STUDIED BUT ONE IS NOT LIKELY  
BECAUSE OF THE REQUIREMENT FOR RECIPROCITY; (2) A JOINT  
BANKING OPERATION (SUCH AS THAT PROPOSED BY ANDERSON) IS  
UNDER ACTIVE STUDY BUT ITS ESTABLISHMENT WAITS ON BETTER  
TRADE RELATIONS (PERHAPS INCLUDING THE MATTER OF USG CREDITS);  
AND (3) THE BANK FOR FOREIGN TRADE ASSERTS THAT IT WILL  
CONTINUE TO BE THE ONLY SOVIET BANK TO HANDLE FOREIGN  
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EXCHANGE SETTLEMENTS. END SUMMARY.

1. BEWT'S BOZEK AND ECONOFF MET ON MAY 31 WITH T.I.  
ALIBEGOV, CHIEF MANAGER OF THE FOREIGN TRADE OF THE USSR (VTB) TO  
DISCUSS US-SOVIET BANKING RELATIONS AND THE FINANCING OF  
BILATERAL FOREIGN TRADE. ALIBEGOV SPOKE EXCELLENT ENGLISH AND  
PROVIDED A CLEAR STATEMENT OF CURRENT VTB POLICY ON SEVERAL

IMPORTANT QUESTIONS. OTHER MATTERS ARE BEING REPORTED BY AIRGRAM.

2. A SOVIET BANKING PRESENCE IN THE US. THIS OLD QUESTION IS STILL OPEN. IT WOULD PROBABLY BE UNDER VTB RATHER THAN MOSCOW NARODNY BANK (MNB) THAT A SOVIET BANKING PRESENCE IN THE US WOULD BE OPENED. THE TYPE OF PRESENCE, WHETHER BRANCH, AGENCY OR WHATEVER, IS BEING CAREFULLY STUDIES IN THE CONTEXT OF APPLICABLE US LEGISLATION. THE SOVIETS WOULD LIKE THE FACILITY TO BE ABLE TO ACCEPT DEPOSITS.

3. ALIBEGOV OFFERED THE "PERSONAL" VIEW THAT THERE WAS A "QUITE GOOD" JUSTIFICATION FOR A SOVIET BANKING PRESENCE IN THE US--IN SOVIET EYES--GIVEN THE "LATENT IMPORTANCE" FOR THE SOVIET UNION OF THE US MONEY MARKET. HE ALSO VOICED THE VIEW THAT THE SOVIETS SHOULD BECOME AN ESTABLISHED FEATURE IN THE US AS WELL AS IN THE EUROPEAN MONEY MARKET BECAUSE THE US MARKET, THOUGH A BIT MORE EXPENSIVE, IS THE MORE STABLE ONE AND IT HAS A LENDER OF LAST RESORT, SOMETHING WHICH HAS NOT BEEN INSTITUTIONALIZED IN THE EURODOLLAR MARKET.

4. ALIBEGOV POINTED OUT THAT A CRITICAL ISSUE FOR THE SOVIETS CONTINUES TO BE THE US REQUIREMENT FOR RECIPROCITY. THERE IS NO WAY TO GRANT RECEIPROCITY, HE SAID, AS THE SOVIET CONSTITUTION WILL NOT PERMIT FOREIGN BANKS TO CONDUCT SIMILAR BANKING OPERATIONS IN THE USSR. (COMMENT: AS THAT WOULD APPEAR TO CLOSE THE ISSUE, IT IS NOT CLEAR WHY CONFIDENTIAL

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THIS QUESTION IS STILL "BEING STUDIED.")

5. A JOINT BANKING OPERATION. ASKED ABOUT VTB IVANOV'S STATEMENT REGARDING ESTABLISHMENT OF FACILITY, ALIBEGOV SAID THIS WOULD DEPEND NOT JUST ON BANKING BUT ALSO ON TRADE CONDITIONS. HIS MENTION OF LARGE ENERGY PROJECTS AND THE THE NEED FOR STATE PARTICIPATION IN THEIR FINANCING LEFT THE INFERENCE THAT SUCH A FACILITY WAS LINKED TO USG CREDITS AS WELL AS INCREASED TRADE.

6. VTB AND US BANK LEGAL LENDING LIMITS. VTB AND OTHER SOVIET AUTHORITIES UNDERSTAND PERFECTLY WELL THE COUNTRY LENDING LIMIT PROBLEMS FACING SOME US BANKS BECAUSE THERE IS ONLY ONE SOVIET BANK ENGAGED INFOREIGN EXCHANGE SETTLEMENTS. ALIBEGOV SAID HE WAS OPPOSED TO ALLOWING MORE SOVIET BANKS TO ENGAGE IN THIS WORK. VTB'S STAFF OF 2,000 CAN TAKE CARE OF THE USSR'S OBJECTIVE REQUIEMENTS FOR FOREIGN TRADE BANKING, AND ANY OTHER BANKS WOULD JUST BE ACTING AS ITS AGENTS. MOREOVER, THE CHANCES THAT THE USSR

WOULD CHANGE VTB'S MONOPOLY STATUS IN THIS FIELD ARE  
"SO SMALL AS TO BE NEGLIGIBLE," ACCORDING TO ALIBEGOV.  
ALSO, AS THE ONLY SOVIET BANK ALLOWED TO ENGAGED IN FOREIGN  
EXCHANGE SETTLEMENTS AND VIRTUALLY THE ONLY SOVIET  
ORGANIZATION ENGAGED IN FOREIGN TRADE FINANCING, VTB SHOULD  
NOT BE TREATED BY THE US AS THOUGH IT WERE JUST ONE OF MANY  
SUCH BANKS -- AS IS THE CASE WITH THE MANY PRIVATE BANKS  
IN CAPITALIST COUNTRIES.

7. COMMENT: WE CONCLUDE FROM ALIBEGOV'S SELF-ASSURED  
REMARKS THAT AT LEAST AS FAR AS VTB IS CONCERNED (1) VTB'S  
MONOPOLY ON FOREIGN EXCHANGE SETTLEMENTS IS UNLIKELY TO CHANGE,  
(2) A SOVIET BANKING PRESENCE IN THE US IS NOT LIKELY  
AT ANY TIME SOON, AND (3) A JOINT BANKING OPERATION (SUCH  
AS THAT PROPOSED BY ANDERSON) WAITS ON BETTER TRADE  
RELATIONS, AND PERHAPS ON THE AVILABILITY OF EXIM CREDITS  
AS WELL.

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